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Middlefield Canadian Income PCC (the “Company”)
Including Middlefield Canadian Income “GBP PC (the “Fund”), a cell of the Company
Registered No: 93546 Legal Entity Identifier: 2138007ENW3JEJXC8658

2 May 2025

Proposed Rollover into UCITS ETF

Middlefield Canadian Income PCC (the “Company”) and Middlefield Canadian Income “GBP PC (the “Fund”) today announce their intention to propose a transaction whereby shareholders in the Fund (the “Shareholders”) would have the option to receive shares in a newly established, actively managed, listed and London Stock Exchange traded fund in the form of an authorised UCITS (Undertakings for Collective Investment in Transferable Securities) (the “ETF”) in exchange for their shareholding in the Fund (the “Transaction”). It is envisaged that the Transaction would involve the voluntary winding up of the Company and the Fund. The ETF would be managed by Middlefield Limited, the Company’s investment manager (the “Middlefield”) and would offer continued exposure to the Company’s existing investment objective and policy. Advisory work on the structure of the Transaction is ongoing, and the Company will release an announcement with further details in due course.

Under the proposed terms of the Transaction, Shareholders who do not wish to continue their exposure to the Company’s existing investment objective and policy via the ETF (whether with respect to their entire shareholding, or part thereof) would be able to participate in an uncapped cash exit at close to the Company’s net asset value (“NAV”) per share, or elect to receive a combination of both shares in the ETF and cash.

As previously announced on 13 February 2025, the Company received a requisition notice from Saba Capital Management, L.P. (“Saba”) proposing that Shareholders be asked to consider, and, if thought fit, approve, the taking by the Company of all necessary steps to implement a scheme or process by which Shareholders would have the option of becoming shareholders of a UK-listed open-ended investment vehicle with a substantially similar strategy as that of the Company and managed by the Company’s existing manager (the “Requisition Notice”).

Following receipt of the Requisition Notice, the board of the Company (the “Board”) consulted with a number of the Company’s largest Shareholders, including Saba. Following constructive discussions, Saba agreed to withdraw the Requisition Notice for a period of 60 days to enable the Company and its advisers to formulate proposals that would best serve the interests of all Shareholders.

Further to the feedback received, the Board has concluded that the interests of Shareholders would be best served by proposing the Transaction and an alternative investment vehicle which would address the issue of limited liquidity in the Company’s shares and the discount to NAV at which the shares have been trading, whilst enabling those Shareholders who wish to retain exposure to high quality, Canadian and US large capitalisation businesses focusing on high levels of stable and increasing income, the option to do so. Further to ongoing discussions with the Company’s legal, tax and financial advisers and Middlefield, and having considered other potential closed-end fund rollover options, the Board has concluded that the ETF represents the most suitable rollover option for Shareholders.

The intention in proposing the ETF as an alternative investment option for Shareholders would be to create a cost-effective vehicle which is positioned to grow and which should benefit from a tight bid-offer spread, a total expense ratio (“TER”) lower than the Company’s current TER and a share price that trades close to or at the NAV per share of the ETF, whilst offering continued exposure to the Company’s existing investment objective and policy. ETFs trade at prices close to or at NAV due to the in-kind creation and redemption mechanism which underpins their structure and which is utilised by authorised participants to address any material surplus or deficit of ETF shares in the market.

The Company notes that over the last ten years, Middlefield has successfully rolled several of its Canadian closed-end funds into exchange traded funds listed on the Toronto Stock Exchange. For the year ended 31 December 2024, three of the exchange traded funds managed by Middlefield were ranked among the Top 10 Best-Performing Canadian ETFs, as recognised by Morningstar*.

Saba has publicly expressed its support for enhanced liquidity options and, consistent with its earlier requisition, has indicated that it would vote in favour of the Transaction at any general meeting of Shareholders to be convened in due course to approve the Transaction.

The ETF

It is proposed that shares in the ETF would be admitted to trading on the London Stock Exchange's main market for listed securities. In due course, the ETF may also seek listings on additional European exchanges to broaden investor access. The ETF would adopt the Company's current investment objective and policy, maintaining a focus on delivering a high level of income and long-term capital growth through investment in a portfolio of larger capitalisation, high-yielding Canadian equities, with a focus on companies that consistently pay and grow their dividends. The ETF is expected to pay quarterly distributions at a level similar to the current dividends paid by the Company and to operate with a lower TER, targeted to be below 1 per cent. The Company uses short term borrowings to support its dividend policy. It is intended that the ETF may seek to use financial derivative instruments, such as total return equity swaps, to support its dividend policy with a similar effect to that provided by the use of borrowings by the Company.

Middlefield has appointed HANetf, a leading white-label provider of exchange traded products, to advise on the structuring and establishment of the ETF. HANetf has extensive experience in structuring, distributing and marketing exchange traded funds and will provide ongoing operational, administrative and marketing support to Middlefield in its capacity as the manager of the ETF. The set-up costs of the ETF will be borne by Middlefield.

Expected timetable

Subject to the satisfactory completion of ongoing advisory work, the ETF is expected to be established and a circular relating to the Transaction sent to Shareholders by August 2025. The Transaction would be subject to usual regulatory and tax approvals.

Michael Phair, the Chair of the Company and Fund, commented:

"The Board continues to have strong conviction in the Company's investment proposition and its ability to deliver a high level of income and long-term capital growth. However, the Board has listened to feedback from Shareholders and recognises that the constrained liquidity and persistent discount to NAV remain impediments to new and further investment.

Accordingly, the Board is actively working on the terms of the Transaction, which, if approved, would provide Shareholders with an opportunity to continue their investment in the existing strategy through the ETF option, or the realisation of their investment at close to NAV, or a combination of both."

For further information, please contact:

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* Middlefield Innovation Dividend ETF (Global Equity): over 5 years; Middlefield Sustainable Global Dividend ETF (Global Dividend & Income Equity): over 3, 5 and 10 years; Middlefield U.S. Equity Dividend ETF (US Dividend & Income Equity): over 5 years (source: Morningstar, Inc.) All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.